



**THE POLICE AND CRIME COMMISSIONER FOR NORTH  
YORKSHIRE AND THE CHIEF CONSTABLE OF NORTH  
YORKSHIRE POLICE**

**Governance - Structure, Reporting, Challenge and Decision Making**

**FINAL**

**Internal Audit Report: 2.15/16**

**26 August 2016**

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<b>Debrief held</b>	11 March 2016	<b>Internal Audit team</b>	Daniel Harris, Head of Internal Audit
<b>Draft report issued</b>	14 March 2016 – v1 11 April 2016 – v2 20 April 2016 – v3 18 May 2016 – v4 14 June 2016 – v5 17 August 2016 – v6		Angela Ward, Senior Manager Philip Church, Client Manager Dulcie Hakin, Assistant Auditor
<b>Responses received</b>	31 March 2016 – v1 07 April 2016 – v2 26 May 2016 – v4 22 June 2016 – v5 26 August 2016		
<b>Final Report issued</b>	26 August 2016		

Note: v3 was a change in the report format only.

<b>Client sponsor</b>	Tim Madgwick, Acting Chief Constable Fraser Sampson, Chief Executive Officer
<b>Distribution</b>	Helen Marshall, Governance and Delivery Manager Maria Earles, Interim Head of Organisation and Development

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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# 1 EXECUTIVE SUMMARY

## 1.1 Background

Corporate Governance is the system by which organisations are directed and controlled. Every organisation has rules and regulations that set out how it operates. The police service is no different but it also has the added requirement of public accountability for the tax payers' money entrusted to it.

The Police Reform and Social Responsibility Act 2011 sets out the functions and responsibilities of the Police and Crime Commissioner (PCC). This Framework applies to decision making by the PCC and those exercising delegated authority on behalf of the PCC. It details the arrangements put in place to enable the PCC to make robust, well-informed and transparent decisions, and hold the Chief Constable to account.

The Elected Local Policing Bodies Order 2011 specifies the information that must be published by the PCC, including specific reference to decisions. It sets out both timescales and requirements for recording and the publication of decisions and related policies. Further regulations provide detail of the information that both the PCC and Chief Constable must make publicly available as part of their transparent governance arrangements.

We have reviewed the organisation's high-level governance structure but did not consider the operational governance process (the individual working/sub groups) below this.

This report will be considered through the Force's governance structure and will be reported to the Joint Corporate Risk Group and the Joint Independent Audit Committee.

## 1.2 Conclusion

Overall we confirmed the decision making structure was comparable to other forces and promoted rigorous standards of probity, regularity and transparency in all decisions made. On review of the design of the control framework we found the controls to be fit for purpose and no management actions have been raised in relation to this.

We have identified a number of areas of non-compliance with the control framework in the following:

- Submission of documentation had not been circulated in a timely manner in terms of reporting to the Chief Executive's office and ultimately to the Executive Board.
- The Joint Independent Audit Committee's Terms of Reference (ToR) and quoracy is currently under review but minimum attendance levels had not been achieved throughout the year and the ToR had not been reviewed annually in-line with best practice.

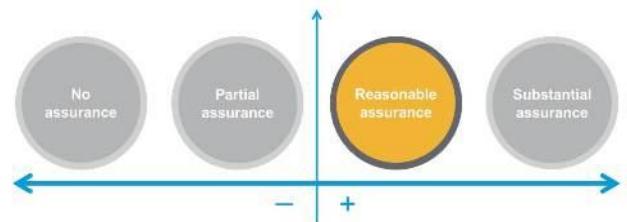
As part of the review we interviewed a sample of Heads of Department and Executive Group Sponsor(s) to ascertain their views of the governance process. Individuals highlighted concerns with the timeliness of the process, ability of the organisation to make swift decisions and the excessive regularity of meetings. Further to this, we would support a review of the number of meetings, held including attendance, to determine the value added and outputs achieved.

In addition, we interviewed a sample of staff/officers to ascertain if the decision making process was embedded; however, we identified a lack of awareness of the process by one person in Local Policing and one person in Crime and Justice Operations.

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### Internal Audit Opinion:

Taking account of the non-compliance issues identified, the PCC and the Chief Constable of North Yorkshire can take **reasonable assurance** that the controls to manage the risk of an effective governance framework and compliance with the Force's decision making process are consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the organisation's governance arrangement.



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## 1.3 Key findings

The key findings from this review are as follows:

- We compared the Decision Making Guidance against other forces and confirmed its contents were comprehensive and comparable to others.
- We confirmed the Joint Corporate Scheme of Delegation & Consent included the powers of the PCC and Chief Constable and further delegated limits. In addition, the Joint Corporate Scheme of Delegation & Consent includes the decision making process of the PCC. The Force's governance intranet site includes a decision flowchart for delegated authority limits per the Scheme of Delegation, Financial Regulations and Devolved Resource Manual.

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- The Force has the Joint Corporate Risk Group at the heart of its governance arrangements with further interdependencies with all corporate meetings.
- A standard agenda item for the Corporate Performance, Delivery and Scrutiny Board includes reporting to the Joint Corporate Risk Group. In terms of the Command Group, risk is considered as an agenda item and would be raised at the Joint Corporate Risk Group meeting should the risk have a strategic impact on the Force.
- The Risk and Assurance Team review the internal control environment to highlight areas for improvement for the Annual Governance Statement.
- On review of the Annual Governance Statement, it clearly highlighted the organisation’s governance arrangements.

Risk	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
The PCC and the Chief Constable of North Yorkshire Police do not have a clear governance framework in place nor an appropriate and transparent decision making process leading to inappropriate decision making.	0 (14)	8 (14)	2	6	0
<b>Total</b>			<b>2</b>	<b>6</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

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## 1.4 Additional feedback

### Good practice for further consideration

The responsibilities, jointly and independently, of the PCC and the Chief Constable are set out in the Second Memorandum of Understanding which is supported by the Joint Corporate Scheme of Delegation & Consent, Financial Regulations and Devolved Resource Management Manual.

On review we confirmed the Memorandum of Understanding had been appropriately signed by both parties. However, at similar organisations we have identified that the Memorandum of Understanding and delegated authority limits have been incorporated into one overarching Joint Corporate Governance Framework document.

Sector best practice	
The Force should consider consolidating key documentation into a single repository to reflect good practice identified in the sector.	

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
<p><b>The Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire do not have a clear governance framework in place nor an appropriate and transparent decision making process leading to inappropriate decision making.</b></p>						
1	All significant decisions (or those delegated with the authority to make such decisions) are processed in accordance with the Decision Making Guidance.  The Decision Making	Yes	No	We confirmed by review that the Decision Making Guidance was available on the Force's intranet. We compared the Decision Making Guidance against other forces and confirmed the content was comprehensive and comparable to others.  Prior to the launch the Governance and Delivery Manager held a workshop with all support contacts to go through in detail the process (there is someone identified and agreed by all Heads of Department within each business area). They were tasked to present the process to their SMTs, again prior to the launch. A headline was posted (21 <sup>st</sup> May 2015) on the	Low	The Governance and Delivery Manager will meet with the Heads of Department/Support Contacts to confirm if the Force's decision making process has been cascaded appropriately. Any issues identified as part of the meetings will be addressed and supporting arrangements

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
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Guidance is available on Force's intranet site.

Further masterclass training has been provided by the Governance and Delivery Manager.

intranet to officially launch the new process and the governance site which is available to all staff. A few months after, in order to enable some bedding in time, the Governance and Delivery Manager held a masterclass where all senior managers were invited (approx. 60-70). Not all colleagues attended so the Governance and Delivery Manager also distributed the presentation to them, offering to provide any clarity required.

As part of the review we interviewed two members of staff (from Local Policing and Crime and Justice Operations) to ascertain their knowledge on how ideas are raised. We confirmed each staff member interviewed had not been made aware of the Force's process.

established.

Responsible Owner: Governance and Delivery Manager

Implementation Date: October 2016

Risk Exposure*			Root causes			
Failure of departments to promote the decision making process and governance arrangement could result in ideas that will benefit the organisation or community not being raised or acted upon.			Awareness of the organisation's Decision Making Guidance had not been fully embedded.			
Probability	Financial	Reputational	Operational	Legal	Rating	

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2	<p>Significant decisions (or an idea) are discussed and agreed by the Head of Department and Executive Group Sponsor(s) to ensure the idea relates to the Police and Crime Plan's priorities, risk profile and financial sustainability.</p> <p>The Head of Department and the Executive Sponsor will provide direction of the most appropriate governance route.</p>	Yes	No	<p>Since the issue of the Decision Making Guidance in May 2015 there have been 33 proposals recorded on the Decision Making Forecast. We sample tested ten of the 33 proposals representing 30% of the population.</p> <ul style="list-style-type: none"> <li>In one case the proposal had been submitted to EG (Exhibits) per the Agenda. It was requested the proposal be resubmitted but evidence of this was not available for review. The proposal then went through to Command Group and Executive Board. At the time of the audit we could not identify why the proposal was not resubmitted to EG. Although it should be noted that there is no absolute requirement for proposals to be submitted to EG.</li> <li>In one case (Modernising the Management of Information) we could not obtain evidence of reporting to the EG; although, it was considered at the Affordability Group which includes the Chief Constable, Chief Executive Officer, Deputy Chief Constable and PCC and CC CFO.</li> </ul> <p>As per the Decision Making Guidance, there is no absolute to consider proposals at EG and the reporting arrangements are determined by the Head of Department and Executive Group Sponsor.</p> <table border="1" data-bbox="750 837 1635 1212"> <thead> <tr> <th colspan="3">Risk Exposure*</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">Significant decisions (or an idea) agreed to be reported to EG by the Head of Department and Executive Group Sponsor will not be presented and authorised.</td> <td colspan="3">The reason for a proposal not being submitted/resubmitted for EG had not been supported by a full audit trail.</td> </tr> <tr> <th>Probability</th> <th>Financial</th> <th>Reputational</th> <th>Operational</th> <th>Legal</th> <th>Rating</th> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Risk Exposure*			Root causes			Significant decisions (or an idea) agreed to be reported to EG by the Head of Department and Executive Group Sponsor will not be presented and authorised.			The reason for a proposal not being submitted/resubmitted for EG had not been supported by a full audit trail.			Probability	Financial	Reputational	Operational	Legal	Rating							Low	<p>The Executive Group will consider and provide clarity on the requirement as to whether all proposals will require submission to the Executive Group.</p> <p>Responsible Owner: Governance and Delivery Manager</p> <p>Implementation Date: March 2017</p>
Risk Exposure*			Root causes																											
Significant decisions (or an idea) agreed to be reported to EG by the Head of Department and Executive Group Sponsor will not be presented and authorised.			The reason for a proposal not being submitted/resubmitted for EG had not been supported by a full audit trail.																											
Probability	Financial	Reputational	Operational	Legal	Rating																									
3	Decisions of significant interest are recorded on	Yes	No	From the sample tested we confirmed the following:	Medium	Authors will ensure realistic targets are in place and																								

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Decision Notice Part 1 and Decision Notice Part 2 (Restricted Information) and supported with additional information when required.

The author will submit the documents four weeks prior to the Executive Board to the Chief Executive's office for review by the Command Group and so that compliance checking can occur as necessary.

- In four cases the correct timeframe had been adhered to.
- In the remaining six cases the documentation had been submitted seven to 17 working days prior to the Executive Board meeting.

Risk Exposure*			Root causes		
Failure to submit documentation in a timely manner could result in required checks not being performed or being performed at short notice resulting in decisions being made on inaccurate information/ or not made at all.			Documentation had not been submitted in a timely manner.		
Probability	Financial	Reputational	Operational	Legal	Rating

considered as part of the forward planning process. Submissions after the deadline, unless urgent, will be rejected.

The Governance and Delivery Manager will discuss with the compliance officers to identify, where possible, a nominated responsible officer who will provide support and assistance with compliance checks as and when required. Delegation would be based on value/risk associated with the decision (see management four).

Responsible Owner:  
Governance and Delivery Manager

Implementation Date: October 2016

4	Decision Notices are circulated for compliance checks with Finance, Human Resources and Legal after review by Command Group where applicable.	Yes	No	From the sample tested we confirmed the following: <ul style="list-style-type: none"> <li>• In five cases the documents had not been circulated within the appropriate timeframe (circulated seven to nine days prior to EB). This was due to late submission to the Chief Executive's Office.</li> <li>• In three cases, the document had been issued for compliance checks within the appropriate timeframe.</li> <li>• In one case, emails were not retained of when the documents were</li> </ul>	-	See management action three.
	The documents are					

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	circulated 10 working days prior to the Executive Board meeting by the Chief Executive's office.			<p>issued for compliance checks.</p> <ul style="list-style-type: none"> <li>In one case, the document was a report and did not require compliance checks.</li> </ul> <p>Discussions with compliance officers confirmed that the agreed 10 days' notice was insufficient to perform the checks in some cases. However, comparison with other forces confirmed the timeframes currently in place was comparable.</p>						
5	Decision Notices are issued to the EB members in a timely manner to allow for information to be absorbed.	Yes	No	<p>From our sample testing we confirmed:</p> <ul style="list-style-type: none"> <li>In five cases (Precept, BAS, Pensions Governance, Purchase of Domestic Property and Data Centre), the papers had been issued within three working days of the meeting.</li> <li>In five cases the papers had been submitted to the EB members five working days prior to the meeting (three of these papers were submitted at the same meeting).</li> </ul> <p>Failure to provide sufficient time to review documentation could result in decisions not being made in a timely manner.</p>	-	See management action three.				
6	<p>Decision Notices/Reports are approved by the Executive Board or require further amendments prior to them being uploaded to the PCC's website.</p> <p>DNs are uploaded to the PCC's website within two working days of sign off.</p>	Yes	No	<p>Our testing identified two delays from the approval in principle by EB to the DN being uploaded to the PCC's website. The EB agreed BAS on 23<sup>rd</sup> November 2015 but a decision was not formally signed off until 3<sup>rd</sup> March 2016. The Data Centre decision was approved by EB on 23<sup>rd</sup> November 2015 and was not formally signed off until 25<sup>th</sup> February 2016.</p> <table border="1"> <thead> <tr> <th>Risk Exposure*</th> <th>Root causes</th> </tr> </thead> <tbody> <tr> <td>Failure to review material changes could result in notices being published that do not reflect the original DN/Report approved by EB.</td> <td>Decision Notices had not been written in a suitable manner for public viewing.</td> </tr> </tbody> </table>	Risk Exposure*	Root causes	Failure to review material changes could result in notices being published that do not reflect the original DN/Report approved by EB.	Decision Notices had not been written in a suitable manner for public viewing.	Medium	<p>a) Guidance will be reviewed to assist in the development of Decision Notices/Reports to ensure they provide sufficient information to make a decision but are also suitable for general publication immediately following approval.</p> <p>b) In addition, guidance on how decision notices/reports are written will be reviewed.</p>
Risk Exposure*	Root causes									
Failure to review material changes could result in notices being published that do not reflect the original DN/Report approved by EB.	Decision Notices had not been written in a suitable manner for public viewing.									

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c) If there is a significant material change following initial approval (e.g. financial etc.) between the agreement in principle and publishing of the Decision Notice the author should resubmit the proposal to EB for sign off.

Responsible Owner:  
Governance and Delivery  
Manager

Implementation Date: June  
2017

7	The PCC and the Chief Constable have established a Joint Independent Audit Committee to advise on good corporate governance principles and to adopt appropriate risk management arrangements.	Yes	No	<p>We confirmed that Terms of Reference (ToR) had been adopted by the Joint Independent Audit Committee on 6<sup>th</sup> December 2012 and provided a regulatory/reporting framework. The reporting framework was in-line with similar committees in the sector and considered internal/external audit and accounts. However, it should be noted the ToR had not been reviewed since its sign off in 2012. Discussions with the Chair of the Joint Independent Audit Committee confirmed the ToR were under review but had not been circulated for approval.</p> <p>On review of the following minutes: 16<sup>th</sup> March 2015; 15<sup>th</sup> June 2015 and 21<sup>st</sup> September 2015 we confirmed reports had been presented in accordance with the ToR. However, we noted that only one independent member attended the March and September meetings (excluding the Chair).</p> <p>The Financial Management Code of Practice (FMCP) requires the PCC</p>	Medium	<p>The Joint Independent Audit Committee will review the Committee's ToR on an annual basis going forward to ensure they are fit for purpose.</p> <p>Responsible Owner: Chair of the Joint Independent Audit Committee</p> <p>Implementation Date: June 2016</p>
	The Joint Audit Committee includes members who are independent of the				Medium	The PCC, Chief Constable

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Force and PCC.	Terms of Reference are in place and are reviewed annually.	and the Chief Constable to establish an independent audit committee. The FMCP also states that:	“The Committee should comprise between three and five members who are independent to the PCC and the Constabulary.”	and the Chair of the Independent Audit Committee will continue in their efforts to recruit additional members to the Joint Independent Audit Committee.	Responsible Owner: Chair of the Joint Independent Audit Committee	Implementation Date: As soon as possible																								
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8	There was no duplication in terms of attendance and reporting of information throughout of the organisation’s governance structure.	Yes	No	We confirmed the Senior Management Team attended, in some capacity, the Executive Board, Executive Group, Corporate Performance, Delivery and Scrutiny Board, Command Group and Joint Corporate Risk Group. In addition, through observation at the Joint Corporate Risk Group we identified multiple attendees from the same department and would question if this is the most appropriate use of resource. It should be noted that all attendees had different responsibilities and presented different parts of the agenda.	Medium	The Executive Group will review the attendance of its core governance meetings to determine if it is both appropriate and effective. Attendance may need to be reduced where ineffectiveness and duplication arises.																								
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				Responsible Owner: Executive Board																										
				Implementation Date: March 2017																										

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				Probability	Financial	Reputational	Operational	Legal	Rating	
9	Standard agendas are in place for the Force's governance structure and performance against the Police and Crime Plan is reported to the Corporate Performance, Delivery and Scrutiny Board with further reporting on the Joint Corporate Risk Group.	Yes	No						Medium	
				<p>Discussions with the Head of Organisation and Development confirmed the remit of the Corporate Performance, Delivery and Scrutiny Board is currently under review.</p> <p>We confirmed that performance was discussed at the relevant meeting and escalated through the risk management process. In addition, we confirmed the Joint Corporate Risk Group had a standard agenda item which considered the Corporate Performance, Delivery and Scrutiny Board. However, on review of the minutes it did not explicitly confirm if matters of the Corporate Performance, Delivery and Scrutiny Board had been reported at every meeting. It is important that there is a clear transparent link between risk and performance.</p> <p>To perhaps improve transparency, consideration should be given to introducing a section at the end of each meeting as an opportunity for members to spend a few minutes reviewing the agenda items and the discussions that have taken place during the meeting and identify those items that would be useful to be raised with other forums. These points of action/ information can then be distributed to the Chair of the other forum, for appropriate consideration and information.</p>					<p>Reporting from the Corporate Performance, Delivery and Scrutiny Board will be noted at the Joint Corporate Risk Group as discussed.</p> <p>Responsible Owner: Interim Head of Organisation and Development</p> <p>Implementation Date: Immediate</p>	
				Risk Exposure*		Root causes				
				<p>There is a risk that under-performance is not reported or highlighted through the risk management process if not clearly noted.</p>		<p>The JCRG agenda requires an update on the organisation's performance against target; however, on review the minutes this was not always explicitly reported.</p>				

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Probability	Financial	Reputational	Operational	Legal	Rating

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## APPENDIX A: SCOPE

### Scope of the review

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
The Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire Police have established a clear governance framework, structure and processes which includes a consistently applied and appropriate decision making process	The Police and Crime Commissioner for North Yorkshire and North Yorkshire Police do not have a clear governance framework in place nor an appropriate and transparent decision making process leading to inappropriate decision making.	Internal Audit

### Areas for consideration:

#### *Governance Framework*

- Whether clear Terms of Reference (ToR) had been established and approved for the Corporate Boards and Groups.
- Whether a calendar of business was in place for the Corporate Boards and Groups.
- Whether reporting processes and lines of accountability had been established for each Corporate Board and Group to ensure the effective escalation and delegation of responsibilities.
- Consideration of the reporting structure and the appropriateness of data reported to Corporate Boards and Groups, including whether information presented was suitable for it to fulfil its remit.
- Mechanisms established to hold the Chief Constable to account for service/performance delivery.
- How the Police and Crime Commissioner for North Yorkshire and Chief Constable of North Yorkshire Police assessed the effectiveness of its governance arrangements.

#### *Decision Making Process*

- How the decision making process had been disseminated to all staff across both corporate souls.
- Decisions made from June 2015 onwards and the process that they followed, including whether decisions made had been clear and transparent.
- Any delegated authority for approval of decision making.

### Limitations to the scope of the audit assignment:

- We have not provided an opinion on the decisions and actions made, we have only assessed that the decision process was transparent and clear.



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- We did not review the entire governance framework and therefore we did not provide an opinion on the entire risk management and governance arrangements.
- We do not endorse a particular means of managing information to the Board. It remains the responsibility of Board and management to agree and manage information needs and to determine what works most effectively.
- We did not validate any data reported to the Board or its subcommittees.
- Testing was undertaken on a sample basis only.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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## APPENDIX B: FURTHER INFORMATION

### **Persons interviewed during the audit:**

- Dave Jones, Chief Constable
- Tim Madgwick, Deputy Chief Constable
- Paul Kennedy, Assistant Chief Constable
- Julia Mulligan, PCC
- Jane Palmer, Chief Finance Officer - Force
- Michael Porter, Chief Finance Officer - PCC
- Will Naylor, Chief of Staff - PCC
- Richard Flint, Head of Estates, Logistics and Technology
- Louise Wood, Head of Communications
- Maria Earles, Interim Head of Organisation and Development
- Helen Marshall, Governance and Delivery Manager
- Kirsty Bewick, Personal Assistant to Chief Executive Officer
- Mark Gee, Safer Neighbourhood Inspector
- Cheryl Quinn, Detective Sergeant

### **Documentation reviewed during the audit:**

- Decision Making Guidance
- Joint Corporate Scheme of Delegation & Consent
- Memorandum of Understanding
- Terms of Reference for each group/board in the governance structure
- Governance subsite including corporate meeting structure
- Scheme of Delegation

## FOR FURTHER INFORMATION CONTACT

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